

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3074
ANSWERED ON:07.12.2001
OCB ACCOUNTS OF BANKS
PRABHUNATH SINGH

Will the Minister of FINANCE be pleased to state:

- (a) whether private sector banks have no system to monitor 5% ceiling on investment by individual Overseas Corporate Bodies (OCB) and the RBI has restrained some private sector banks such as GTB from opening new OCB accounts;
- (b) if so, the details thereof;
- (c) whether it is also a fact that Enforcement Directorate is also investigating the matter;
- (d) if so, details of their findings in the matter so far; and
- (e) the details of OCBs transactions being scored by RBI and the result of their findings ?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a),(b)&(e): Reserve Bank of India (RBI) has reported that the 5 per cent ceiling for the individual NRI/OCB/PIOs is monitored by the banks themselves and it is mandatory for them to adhere to this requirement. RBI has further reported that it had conducted inspection to examine the transactions entered into by certain OCBs under the Portfolio Investment Scheme (PIS). In this connection it had also conducted inspection of Global Trust Bank's two branches at Mumbai, which revealed system deficiencies and possible instance of violation of Exchange Control Regulations. RBI had forwarded its inspection report to the Enforcement Directorate. Global Trust Bank had been advised by RBI that pending the setting up of an adequate system for implementation/monitoring of the PIS by NRIs/OCBs to the full satisfaction of their Board, they should not open any new accounts for OCBs under the PIS. RBI has also reported that as regards the existing OCB clients, their transactions should be undertaken after approval by an officer specially designated for the purpose by the Bank, who would be responsible for ensuring that the transactions are in full conformity with the rules/regulations under FEMA.

(c)&(d): Enforcement Directorate have reported that RBI have intimated to them the irregularities in respect of OCB transactions in Indian Stock Market detected by them during their inspection of two branches of Global Trust Bank at Mumbai and that the investigations are in progress.